

VZCZCXRO5049  
OO RUEHCHI RUEHCN RUEHDT RUEHHM  
DE RUEHBK #0707/01 0790456  
ZNR UUUUU ZZH  
O 200456Z MAR 09  
FM AMEMBASSY BANGKOK  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6463  
INFO RUCPDO/DEPT OF COMMERCE WASHDC IMMEDIATE  
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC IMMEDIATE  
RUEATRS/DEPT OF TREASURY WASHINGTON DC IMMEDIATE  
RUEHXS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS IMMEDIATE  
RUEHCHI/AMCONSUL CHIANG MAI IMMEDIATE 6338

UNCLAS SECTION 01 OF 02 BANGKOK 000707

STATE FOR EAP/MLS, EEB  
STATE PASS TO USTR FOR WEISEL AND BISBEE  
TREASURY FOR SCHUN AND MNUGENT  
COMMERCE FOR EAP/MAC/OKSA  
SINGAPORE FOR FINATT BAKER

SENSITIVE  
SIPDIS

E.O. 12958:N/A  
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SUBJECT: PRIME MINISTER ABHISIT ENGAGES WITH AMERICAN BUSINESS

BANGKOK 00000707 001.2 OF 002

1. (SBU) SUMMARY: Prime Minister Abhisit Vejjajiva assured a U.S. ASEAN Business Council (USABC) delegation on March 4 that his administration would continue to be "pro-business," even in these difficult economic times. Abhisit also announced the creation of a "one-start shop" within the Prime Minister's office to answer business concerns and coordinate the resolutions among the various ministries. As part of an ASEAN regional outreach mission, 37 American business representatives met with ten government ministers, in addition to the Prime Minister himself, during their visit to Bangkok, March 2-4. The delegation also met with Ambassador John and said how pleased they were with the engagement and responsiveness of Abhisit's new government on business issues. This year's delegation consisted of U.S. companies: Abbott, AIG, APCO, Caterpillar, Chevron, Coca-Cola, ConocoPhillips, Ford, GE, Guardian, JHPIEGO, Johnson & Johnson, Merck, Microsoft, Monsanto, Pfizer, Philip Morris, Rockwell Collins, Time Warner and UPS. END SUMMARY.

2. (SBU) COMMENT: The Abhisit administration has placed a priority on reaching out to the business community to identify and address longstanding concerns raised by both domestic and international companies, and the American business community has been very pleased with Abhisit's engagement and responsiveness to their concerns. While no outstanding commercial issues have been resolved yet as a result of this engagement, the business community is optimistic that the government is sincere in wanting to address their concerns. END COMMENT.

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Prime Minister's "One-Start Shop"  
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3. (SBU) In a candid and open exchange with Ambassador John and 37 members of the U.S. ASEAN Business Council mission to Thailand on March 2-4, Prime Minister Abhisit Vejjajiva stressed that his government is "pro-business." Ambassador John introduced the group to the Prime Minister and described the extensive investments and long-standing commitments of these companies in Thailand. The Ambassador noted that U.S. businesses employ more than 250,000 Thai nationals, significantly contribute to the more than \$32 billion in bilateral trade each year, and over the years, have invested an estimated \$35 billion in Thailand. He explained that the mission of the ASEAN Business Council's trip was to engage with Abhisit's newly-elected government to seek ways to improve the business climate in Thailand.

4. (SBU) In welcoming the group, Abhisit made it clear that he was aware of Thailand's outdated business laws and regulations and how

these rules often slow down business operations rather than support business development. He acknowledged that it will take time and effort to amend the laws and regulations of concern, and proposed, as an interim solution, the creation of a "one-stop shop," which would house various ministry representatives in the Prime Minister's Office to address specific business concerns and coordinate the government's response to business issues that cut across ministry lines.

15. (SBU) The Prime Minister joked with the delegation that most "one-stop shops usually do exactly that, 'stop' or prevent a solution rather than find one." He, therefore, wants to call his version a "one-stop shop," where businesses can seek immediate assistance from his government to resolve outstanding issues. Abhisit explained that the ministry representatives would then liaise with one another to seek solutions to the outstanding issues raised by the business community, presumably where legislative fixes would not be required. The Prime Minister's overture was welcomed by the group. In the energy sector, for example, companies such as Chevron and ConocoPhillips have complained about lack of coordination between the Ministry of Finance, Ministry of Industry and the Ministry of Energy to address issues such as access to resources, alternative energy, and diversification of Thailand's energy resources.

16. (SBU) Some business issues are caught up in foreign policy challenges. ConocoPhillips raised the long standing issue of overlapping claims between Thailand and Cambodia over the 27,000 sq. km fossil fuel reserve in the Gulf of Thailand. The Prime Minister noted that the Joint Technical Committee needs to be re-activated to address this issue.

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Ambassador Stresses the Rule of Law  
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BANGKOK 00000707 002.2 OF 002

17. (SBU) Ambassador John met with the delegation separately to provide an overview of the extensive services that the Embassy provides to U.S. businesses and the advocacy that we regularly perform on their behalf. He also provided an assessment of the current political, economic, and commercial situation in Thailand. The Ambassador noted the Abhisit administration's efforts to improve Thailand's business climate, while simultaneously managing a relatively fragile government coalition. Nevertheless, he also stressed that many observers may have been making too much of Thailand's political uncertainties as politics rarely affects business as usual (the airport closures last year being a striking exception). Rather, U.S. companies should focus on rule of law issues, such as contract enforcement, IPR, and tax manipulation, that have a more significant effect on the business environment. During an extensive question and answer session, company representatives explained that they continue to be confronted with serious issues of corruption, a lack of transparency in government decision-making, and a lack of coordination among ministries.

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Customs Issues Top the Agenda  
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18. (SBU) Speaking on behalf of the express mail delivery industry, UPS explained that the industry wants to engage the Thai government in a discussion on the logistics industry as a whole. The express delivery component is simply a piece of the industry, and a more comprehensive government plan could help make Bangkok a regional logistics hub. In follow-on consultations with the Embassy, UPS and FedEx expressed an interest in hosting a logistics forum in Thailand to highlight the possibilities that could be derived from true express delivery systems and modernized customs processing. With customs laws over eighty years old, Thailand's customs regime is years behind the express customs regimes in neighboring Singapore, Hong Kong and Taiwan.

19. (SBU) Philip Morris also expressed its frustrations dealing with Thai Customs. The company continues to struggle with a lack of

transparency and consistency in customs valuation and a lack of coordination between the various ministries. According to Philip Morris representatives, from August 2006 until March 2008, Thai Customs systematically rejected the transaction value declared as the basis for valuation and arbitrarily imposed values that were higher than the declared transaction values to all entries of imported cigarettes.

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Pharmaceutical Industry Remains Concerned About CLs  
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¶10. (SBU) In response to an Abbott inquiry on the future use of compulsory licenses, Abhisit clearly stated that any future consideration of compulsory licenses would be undertaken as a measure of last resort and this government would only do so in a consultative manner with the rights holders. Abhisit cautioned that if the U.S. continued to place more pressure on Thailand with regards to this issue, that there could be backlash and increased political pressure from health care activists and NGOs to issue more CLs. Abhisit expressed dismay to learn that the pharmaceutical industry had recommended that Thailand be downgraded to Priority Foreign Country (PFC), despite his administration's good faith efforts to improve Thailand's IPR regime.